GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3611
ANSWERED ON:16.12.2005
VENTURE CAPITAL FUND
Rao Shri Sambasiva Rayapati

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has approved Rs.48 crores venture capital fund for agricultural-sector business;

(b) if so, the manner in which his venture capital fund is likely to help farmers;

(c) whether in a recent National Sample Survey Organisation only 15 per cent farmers availed of any loan from this fund;

(d) if so, whether fanners would be able to obtain higher loans from banks and the process will be easier as a result thereof; and

(e) if so, the extent to which it would help farmers and the total funds so far provided to these farmers from this fund?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) & (b) : Yes, Sir. A provision of Rs.48 crore to Small Farmers Agri-Business Consortium (SFAC) for the remaining 10th Plan period with a view to providing Venture Capital Assistance to small farmers/marginal farmers involved in Agri-Business Activities has been made. Under the scheme, SFAC provides financial assistance in form of equity to qualifying projects based on recommendations of the financing bank.

(c) : The National Sample Survey Organisation (NSSO) conducted a survey `Situation Assessment Survey of Farmers - Indebtness of Fanner Households` the findings of which was released in May 2005.As per the survey report the percentage of indebted farmers households to both formal and non-formal sources is reported to be at 48.6% of total rural households.

(d) : Under venture capital assistance, project approach is adopted and the appraisal of varied requirement of farmers is undertaken by the financings banks in a holistic manner paving way for access to enhanced credit.

(e): Financial Assistance provided by the SFAC in the form of equity capital is repayable to SFAC after repaying the term loan of the financing bank. The quantum of venture capital assistance would be the lowest of the following : -

10% of the Project Cost assessed by the bank. # 26% of the Project Equity. # Rs.75.00 lakh.

Higher Venture Capital Assistance can be considered by SFAC to deserving projects on merit and/or to projects that are located in remote and backward areas, North-Eastern and hilly states and projects recommended by State Agencies. SFAC has so far accorded sanction for Venture Capital Assistance involving ajjiotaiicc-of Rs.8.24 crore.